Better Marketing

Division of Marketing and Marketing Agreements

· · AGRICULTURAL · ADJUSTMENT · ADMINISTRATION · ·

Vol. I | WASHINGTON, AUGUST 8, 1936 | NO. 10

FRUITS, VEGETABLES ARE IN FAIR CONDITION

Commercial Production Centered Outside Drought Areas; Sufficient Supplies Seen For Consumption Needs

Regardless of the extent to which the drought may ultimately affect the available supplies of grains and livestock products, the situation with respect to the Nation's production of commercial fruits and vegetables is considerably different in that the supplies of these crops appear to be affected to a much less degree, the General Crops Section reports.

For the most part, sections of the country in which drought conditions are serious are not ordinarily considered important sources of fruits and vegetables. Grouping the States together in which either serious drought has already occurred or the rainfall has been insufficient for favorable growing conditions, it appears that the acreage of 17 important truck crops planted this season in all of these areas constitutes only about one-fifth of the total acreage of these crops for the country as a whole. The maximum damage resulting from the drought is not expected to exceed 20 percent of this year's commercial vegetable supply. In this connection it is significant that the total acreage of the commercial vegetable crops for which reports are available has been increased this season to about 6 percent over that of last year and 14 percent above the average acreage for the 5-year period, 1928–32.

Condition of Vegetables

Some of the local sources of supplies of many vegetable crops are home gardens and near-by truck farms in many sections of the country. While reports of the total production of vegetables grown under these conditions are not available, the aggregate output from these sources represents only a relatively small part of the country's total of these crops. Consequently, even with total failure of this production in the drought areas, whatever loss has occurred is small in its relation to the supply situation as a whole.

An analysis of the acreage planted to vegetables for canning shows that about 20 percent of the United States acreage of the leading canning crops is located in various sections of the drought areas.

The principal sources of the country's supply is in certain specialized areas where soil and water conditions favor the development of these crops. In many of these commercial districts rainfall and supply of irrigation water have been more than ample, with the result that some surpluses have occurred this season in

(Continued on p. 2)

Marketing Program For Colorado Fresh Peas And Cauliflower Ready

A marketing agreement and order for handlers of fresh peas and cauliflower grown in six Colorado counties became effective August 9.

Considered at a public hearing held in the producing area last December, the new marketing agreement program was requested and approved by a major portion of the growers and shippers of fresh peas and cauliflower. The program is designed to assist the industry in adjusting shipments to market requirements. A similar program has been in operation in that area during the last year under an agreement and license. The territory included under the marketing agreement program produced and marketed last year more than 455,000 hampers of peas and 439,000 crates of cauliflower.

The marketing agreement program as approved by the Secretary of Agriculture applies to the six counties of Alamosa, Rio Grande, Conejos, Costilla, Custer, and Eagle, which represent the principal sections of Colorado producing fresh peas and cauliflower.

Principal provisions of the agreement and order govern the regulation of railroad shipments, regulation of shipments by grades and sizes, and the establishment of a control committee of 10 members under which the program would be administered.

DAIRY OUTPUT, PRICES AFFECTED BY DROUGHT

Milk Producers Forced to Make Shifts In Production Practices; Higher Dairy Prices Likely

Severe drought conditions again enter into the dairy picture. The drought not only is affecting summer production and prices of dairy products but undoubtedly will exert an influence next winter, according to the Dairy Section.

On June 1 the number of milk cows on farms for the country as a whole, the Bureau of Agricultural Economics reports, was about 1 percent below the number on June 1, 1935, although the June survey indicated increases ranging from 1 to 5 percent in California, Wisconsin, Michigan, and all of the North Atlantic States except Maine, as well as increases in Texas and some Mountain States; it revealed decreases in most of the North Central States and a large part of the South. Heavy marketings of cows and heifers in the severest drought areas because of feed and water short-

(Continued on p. 3)

MILK ORDER SUSPENDED; COURT DECISION ADVERSE

Appeal Requested on Adverse Ruling on Milk Marketing Program in Boston; Other Programs Unaffected

Temporary suspension of the order regulating the handling of milk in the Greater Boston, Mass., marketing area was announced by the Agricultural Adjustment Administration, effective as of August 1.

In connection with the suspension, it was announced that the Department of Justice had been requested to perfect an appeal from the adverse decision on the Federal milk-marketing program in Boston which was rendered July 23 by Judge Brewster in the case of *United States* v. *David Buttrick et al.*, and that the suspension would probably remain in effect pending and during that appeal.

It was pointed out that the refusal of Judge Brewster to entertain jurisdiction over the Government's suit to enforce the order against the 28 noncomplying handlers named in the Government's bill rendered inequitable the economic position of those handlers who had supported and complied with the order, and that until the jurisdictional question raised by Judge Brewster's decision was finally settled by an appeal, the complying handlers would be relieved of their obligations under the order. In addition, recent investigations have disclosed that numerous other handlers are developing means of securing advantages to themselves on milk purchased outside the State and that large numbers of dealers buying milk entirely within the State of Massachusetts have taken advantage of the situation created by the disparity between the Federal and the State order. These factors, plus the additional fact that at least two appeals to the Supreme Court may be necessary before the constitutionality of the act is finally determined, make it inadvisable to follow the procedure of last year and maintain the order on a voluntary basis.

Marketing agreements and orders in other jurisdictions remain unaffected by Judge Brewster's decision. It was pointed out that a decision directly contrary to that reached by Judge Brewster was arrived at by Judge Yankwich, of the southern district of California, central division, in the case of *United States* v. *Hugh David Edwards*, on April 4, 1936. Judge Yankwich considered the identical arguments advanced in the *Buttrick case* and concluded that the marketing agreements and orders sections of the Agricultural Adjustment Act, as amended, were not only unaffected by the Supreme

(Continued on p. 2)

85708—36

Better Marketing
Division of Marketing and Marketing Agreements
· · AGRICULTURAL · ADJUSTMENT · ADMINISTRATION · ·

JESSE W. TAPP, *Director*

BETTER MARKETING is issued as a means of communicating to workers and cooperators of the Division of Marketing and Marketing Agreements information relative to the Division's activities under the Agricultural Adjustment Act and related Acts.

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.

NATHAN KOENIG, *Editor,* BETTER MARKETING

FRUITS, VEGETABLES

(Continued from p. 1)

the case of a number of crops to such an extent that industry-wide efforts were made to prevent ruinous returns to the producers. These efforts have been made through marketing agreements and governmental purchases of some commodities for relief distribution.

Fruit Situation

The fruit situation does not appear as generally favorable as that for vegetables owing to severe winter weather and spring frosts in many districts and to the fact that the alternate bearing habits of certain varieties of apples have resulted in a lighter bud set this year. Mainly because of these reasons the total production of all deciduous tree fruits is expected to be considerably lower than last year and also lower than the average production during the past five seasons. While small apple and peach crops are in prospect, the production of some fresh fruits, such as plums, prunes, and pears, is likely to exceed that of last year. Present indications are that the citrus-fruit crop now in prospect for the coming fall and winter months is expected to be the largest the country has ever produced.

The direct effects of the drought on the supply of fruit appears to be even less than in the case of the vegetable crops because the proportion of the total fruit supply produced in the present drought-stricken areas is even smaller than for vegetables.

Risks resulting from unfavorable weather and conditions not under the control of growers and shippers and season-to-season shifts in the market distribution of commercial fruits and vegetables are not unusual situations encountered in the production and marketing of these commodities. The industry has been accustomed to adjust itself rapidly to meet changing situations by altering its distribution practices. While certain kinds of fruits and vegetables are in smaller supply at present than usual, others are more than ample to supply the needs of the country, and consumers may expect that the total supply of fruits and vegetables for the fall and winter months will be adequate for the country as a whole.

MILK ORDER SUSPENDED

(Continued from p. 1)

Court's decision in the *Hoosac Mills case,* but were within the constitutional powers of Congress.

Suspension of the Boston milk order does not carry with it immediate withdrawal of the Government from that market. Despite the suspension of the Boston milk order, the office of the marketing administrator will be continued for the purpose of studying proposals designed to prevent the situation surrounding the marketing program from having an adverse effect upon the economic condition of farmers throughout New England.

DROUGHT CATTLE BUYING STARTED BY GOVERNMENT

Buying Policy Being Based on Market Conditions; Animals Purchased Are Processed for Relief Use

First purchases of cattle in connection with the Federal Government's efforts to meet the drought emergency were started on August 3 in five markets. Although authorizations were issued to buy 4,343 cutter grade cows and heifers and 450 grade calves, only 1,249 cows and heifers and 101 calves were bought the first day in line with the program. Purchases, made at market prices for animals of comparable class and grade, are being restricted to cattle originating in drought areas and those least suitable for resale as stockers and feeders.

The purchases were the first authorized under the limited cattle-buying program which was approved July 6. Representatives have been at markets since July 20. The Commodities Purchase Section of the Agricultural Adjustment Administration has been allotted $5,000,000 with which to buy cattle in open markets if liquidation caused by drought conditions necessitates continued purchases. The inauguration of buying coincided with the heaviest cattle offerings at some markets in 3 years.

Market reports indicate that there was a good deal of liquidation in drought areas; and that many short-fed cattle were being rushed to market because of rising corn prices and in some cases because of short supplies of water.

The Government's buying policy is being shaped by market conditions. "If prices strengthen", Jesse W. Tapp, chairman of the Department of Agriculture drought committee, said, "the committee will discontinue purchases for the time. If prices continue to decline, purchasing will be continued. The volume of purchasing will depend on day-to-day conditions, within the maximum daily allotments for the various markets."

The cattle purchased are being processed on contract for the Government, and the meat will be turned over to the Federal Surplus Commodities Corporation for relief distribution. In anticipation of a cattle-buying program, bids were accepted July 16 from three packing companies for processing the meat. The companies were Armour & Co., the Cudahy Packing Co., and Swift & Co.

"Under present plans", Mr. Tapp said, "the cattle buying this year will not be so extensive as the program of 1934, when purchases came to more than $100,000,000. Under the 1934 program purchases were made direct from farmers, and purchases were inaugurated about the middle of June. By August 1 a total of 1,960,218 cattle had been purchased. This year purchases are being made at terminal markets and not directly from farmers."

BUTTER SUBSIDY IDEA INVOLVES MANY ANGLES

Dairy Section's Analysis Shows That Temporary Gains Would Be Traded Off for New Problems

[*This is the ninth and concluding article of a series on world trade in butter as it relates to butter production and marketing in the United States*]

Subsidizing exports of butter as a means of increasing returns to dairymen in the United States, while attractive from the short-time point of view, would result in countervailing action by foreign countries and bring new problems to the dairy industry of this country.

Such is the conclusion reached from an analysis of the possibilities of increasing returns to dairy farmers through the subsidization of exports of butter from the United States made by the Dairy Section of the Agricultural Adjustment Administration. Copies of this analysis on which was based this series of nine articles on world trade in butter as it relates to butter production and marketing in the United States may be obtained from the Dairy Section.

The question of whether returns to producers would be increased through the subsidization of exports depends chiefly upon the nature of the consumer's demand for butter in the United States. The price received for the exported butter depends, however, to some extent upon the nature of the demand for butter in importing countries.

Factors Involved

It is generally recognized that in the case of a commodity the demand for which is elastic—that is, a given percentage change in supplies results in a smaller opposite percentage change in price—the larger the volume of the commodity sold the larger would be the gross revenues from such sales. On the other hand, in the case of a commodity the demand for which is inelastic—that is, a given percentage change in supplies results in a larger opposite percentage change in price—the smaller the volume of the commodity sold the larger would be the gross revenues from such sales, within such limits for which the demand is inelastic. It is recognized, however, that there are probably very few commodities the demand for which is inelastic for all ranges in price.

(Continued on p. 4)

SHIPPING REGULATION AIDS MELON INDUSTRY

Temporary Halt In Shipments Used Twice To Rid Markets Of Gluts; Growers' Prices Improved

Improved marketing conditions for southeastern watermelons have resulted this year from the use of "shipping holiday" regulations which were put into effect to overcome temporarily glutted market situations, according to the General Crops Section.

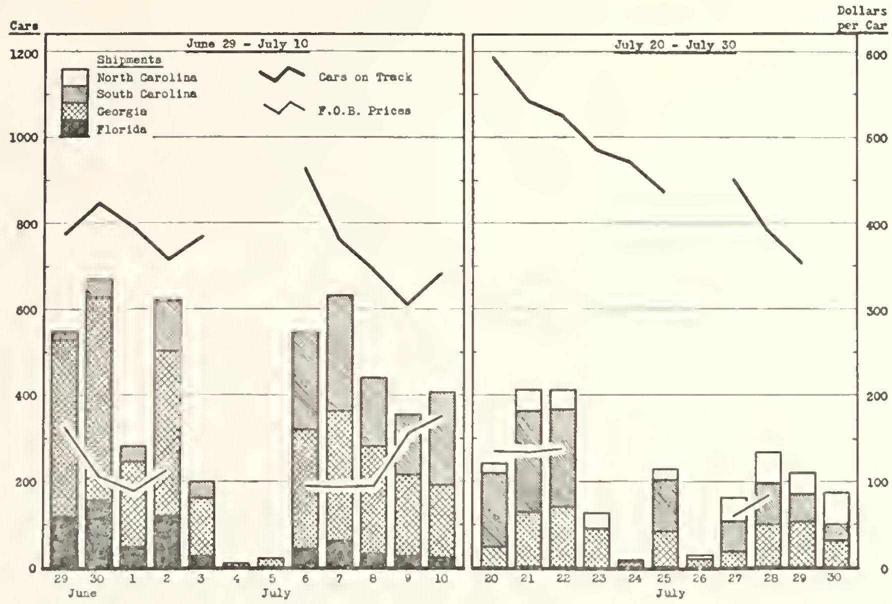
Under the 1936 marketing agreement and order for watermelons shipped from Florida, Georgia, South Carolina, and North Carolina, two regulation periods each 48 hours in length, during which no shipments in interstate commerce were permitted, were instituted, the first one from July 3 to July 5 and the second from July 23 to July 25. During each of these periods which are regarded by growers and shippers as "shipping holidays", all shipments out of these four States were prohibited. The purpose of these regulations was to assist the industry in regaining and maintaining the relatively satisfactory prices that had previously been established prior to each of these periods by preventing excessive accumulation of supplies en route to or on track at wholesale markets.

During the week ending June 27 shipments averaged over 500 cars per day and continued to a peak of 671 cars on June 30. In 11 principal markets for southeastern melons, namely Baltimore, Boston, Chicago, Cincinnati, Cleveland, Detroit, New York, Philadelphia, Pittsburgh, St. Louis, and Washington, cars on track began to accumulate, increasing from an average of 562 cars per day for the week ending June 27 to 847 cars on June 30. Since these holdings were more than ample for the July 4 holiday trade f. o. b. prices began to fall very rapidly from an average of $164 per car for the week ending June 27 to $106 per car on June 30 and $90 per car on July 1. The "shipping holiday" regulation became effective 6 a. m., July 3, and continued to 6 a. m., July 5. Cars on track reached a peak of 926 cars on July 6 as a result of the heavy shipments on June 30 and July 2, but f. o. b. and terminal prices improved, particularly after July 7.

Terminal market holdings began to pile up again after July 17 and prices declined very markedly. Track holdings in the 11 principal markets totaled 700 cars on July 17, increased to 859 cars on July 18, and reached a peak of 1,184 cars on July 20. At Allandale, S. C., prices averaged approximately $180 per car during the week ending July 18, but declined to $135 per car on July 21.

A "shipping holiday" regulation for cars moving out of the four States was instituted at 12:01 a. m., July 23, when it became apparent that it was growing more and more difficult to make sales at reasonable prices. Daily unloads were only about one-fourth to one-third of cars on track and prospective shipments indicated that further accumulation of unsold cars would result. It appeared that the market would again become disorganized and prices would remain low the remaining part of the season. As a result of the "holiday", track holdings were decreased to 784 cars in the 11 principal markets on July 28 and to 706 cars on July 29. F. o. b. prices for South Carolina and North Carolina watermelons improved after July 27.

PRICES IMPROVE AS "HOLIDAYS" REDUCE UNSOLD MELONS



As shown above, trade holdings in the 11 principal markets for southeastern watermelons reached 847 cars on June 30 and f. o. b. prices were sharply reduced. Heavy shipments caused a further increase in track holdings up to July 6, but with the first "shipping holiday" on July 3 and 4 holdings declined and prices improved. After July 17 there were heavy accumulations of unsold cars in the principal markets and prices fell off. The "shipping holiday" on July 23 and 24 aided substantially in reducing these holdings so that by July 28 grower prices again improved.

DAIRY SITUATION

(Continued from p. 1)

ages and close culling of milk cows in other areas because of high feed prices may result in a further slight decrease in number of milk cows.

Grain and Forage Cut

Pastures, an important item in the summer dairy ration, greatly influenced milk production in June and July. In late July dairy pastures were in about as poor condition as in 1934. Although total milk production in the first half of 1936 averaged 2 or 3 percent above the first half of 1935, total production on July 1 was about 4 percent below July 1, 1935, when pastures were favorable. Unless dairy pastures show much greater improvement during the next few weeks than they did in corresponding periods of previous drought years, milk production during the rest of the summer probably will continue lower than last year.

The drought already has greatly reduced small grain and hay production and has damaged the corn crop beyond recovery on about half of the acreage in the Corn Belt. Although the crop in the rest of the Corn Belt has been injured, its final outcome is somewhat uncertain. Accurate forecasts of total grain production cannot be made at this time, but conditions near the end of July indicate that with average growing conditions during the remainder of the summer the feed supply per animal unit in the 1936–37 feeding season is likely to be about 20 percent below average but about 10 or 15 percent above the supply in the 1934–35 season. Present prospects are that the hay supply per animal unit will be about 15 percent below average but about 20 percent larger than in the 1934–35 season. However, winter hay supplies may be influenced somewhat by late crops.

Such feed supplies would tend to restrict the production of all livestock products. The relative effects on particular classes of products will depend somewhat upon their relative prices, and prices of hogs and beef cattle undoubtedly will be much higher than in the 1934–35 season, with a somewhat stronger demand for grain for feeding hogs and beef. However, the feed situation probably will tend to restrict dairy production during the winter season.

The farm price of butterfat probably reached its seasonal low this year in May as compared with June and July in most years. With the development of drought conditions the price increased and in June averaged 27.7 cents, or 17

(Continued on p. 4)

BUTTER SUBSIDY IDEA

(Continued from p. 2)

Thus it is evident that the returns from a commodity the demand for which is inelastic in the domestic markets could be enhanced through a reduction in the volume of supplies in these markets, and the sale of these excess supplies either in markets where the demand is less inelastic, or where the commodity has not been sold before, the amount of gain being related to such factors as the relative sizes of the two markets, additional transportation and marketing costs, and the like.

The results of a preliminary study of the factors affecting butter prices in the United States indicate that within the price range prevailing since 1919 the demand for butter is inelastic. On this basis returns to producers would be increased through a plan involving the exportation of a portion of the domestic supplies to foreign countries.

Quantity and Prices

Several considerations are involved in the determination of the quantity of butter to be exported. The quantity exported should not be so large as to result in prices high enough to stimulate production to the extent that the gains from the program would be vitiated. Obviously, the precise quantity to be exported would depend upon supply-and-demand conditions prevailing at the time the program was put into effect. While on the basis of the above results the larger the quantity exported, within the price limits for which the demand is inelastic, the larger would be the gains, it would be inadvisable to export such a quantity as would disrupt foreign markets and, perhaps, invite retaliation.

The time of the year when export operations would be most feasible is a factor of some importance. Wholesale prices of butter in the United States are usually lowest in the summer months and highest in the winter months. The seasonal fluctuations in prices are considerable. Prices for New Zealand butter also fluctuate seasonally, though the fluctuations are not so much pronounced as the fluctuations in the New York prices. The lowest prices are reached in the winter and the highest prices in the summer. New Zealand finest butter is approximately comparable in quality to 92-score butter in the United States. As a result of the different seasonal variations in prices, the differential of New York prices over London prices for New Zeland butter is least in the summer months and greatest during the winter months. Thus, it would appear to be the most economical, from the point of view of the cost of subsidization, to export butter during the period from May to August.

Price Effect

The butter exported under the plan presumably would be purchased in the domestic market in the normal competitive trade channels. Such operations could be conducted by an organization set up for that purpose or by an existing governmental agency. The effect of these purchases on increasing domestic prices would be about the same as a decrease in domestic supplies arising through any other cause. On this basis, the total volume of domestic supplies, including the volume exported, would be sold at the increased price. A loss, however, obviously would be incurred equal to the difference between the cost of purchasing the butter for export (assuming it would be purchased at the increased domestic price) and the amount received for such butter. The amount received for the exported butter would be the London price for comparable grades of butter prevailing at the time the butter was exported, less transportation and handling charges, insurance costs, and the British import duty.

The price that would be obtained for the butter exported to the United Kingdom (it is assumed that all the butter would be exported to that country) would depend upon butter prices prevailing in the United Kingdom at the time the plan is put into operation and the extent to which these prices would decline as a result of additional imports. Since most butter-exporting countries are subsidizing exports, it is assumed that imports into the United Kingdom from other countries would not be curtailed to any great extent.

The extent to which prices in the United Kingdom would decline as a result of imports from the United States may be estimated on the basis of a recent study of the Agricultural Economics Research Institute of the University of Oxford. This study indicates that at the level of supplies prevailing in the United Kingdom in 1933 the elasticity of demand for butter is 0.33; or, in other words, a change in supplies of 0.33 percent would have resulted in 1933 in an opposite change in price of 1 percent. The price-quantity curve in this study was obtained by correlating the retail price, deflated by an index of income (wages less rents, times employment), with supplies of butter available for home consumption.

Possibility of Retaliation

One of the major potential obstacles in the way of a butter export subsidization plan is the possibility of British import restrictions. In view of the provisions of the Ottawa agreements with respect to the possible limitation of imports of dairy products after November 15, 1935, and of the provisions of the agreements concluded by the United Kingdom with a number of foreign countries, the possibility of the adoption of a system of quantitative regulation of imports of butter in the near future is an important consideration. In the event such regulations are established, a very low quota on imports from the United States probably would be established, since exports from this country to the United Kingdom in recent years have been negligible. At the same time there is a strong possibility that the United Kingdom would impose an embargo against American butter if exports were subsidized directly or indirectly by the Federal Government. A provision of section 1 of paragraph 5 of an act of the British Parliament of November 15, 1932, enacted pursuant to the provisions of the Ottawa agreements, is of significance in this connection. This provision reads as follows:

"If at any time the board of trade are satisfied that any preferences granted by this act in respect to any particular class or description of goods, being preferences granted in fulfillment of the agreement set out in part I of the first schedule of this act, are likely to be frustrated in whole or in part by reason of the creation or maintenance, directly or indirectly, of prices for that class or description of goods through state action on the part of any foreign country, the board of trade may by order prohibit the importation into the United Kingdom of goods of that class or description grown, produced, or manufactured in that foreign country."

Facts Summarized

In view of the material contained in this series of articles, the possibilities of increasing returns to dairy farmers through the subsidization of exports of butter may be summarized briefly, as follows:

1. It appears that the exportation of a substantial quantity of butter would have the effect of increasing domestic prices to such a degree that returns to producers from a given volume of production would be greater than if the total supply were sold in the domestic market, assuming that foreign markets could be developed.

2. The United Kingdom would constitute the only important outlet for a substantial volume of exports of butter from the United States because of the severe import restrictions prevailing in Germany, which is the only other important butter-importing country. In view, however, of possible countervailing action by the United Kingdom through the imposition of an embargo, it appears that it would not be feasible to undertake an export subsidization program with respect to butter, unless other outlets were developed.

3. The successful operation of a plan to subsidize exports of butter would be limited by the possibilities of imports during our season of low production. An increase in the tariff on butter would appear to be essential to assure maximum benefits from the operation of the plan, if it appeared that, at the time the plan were put into operation, the effect of the plan would be to raise the price of butter in the United States to a point where imports would be attracted over the tariff barrier.

4. In addition to the foregoing, it is highly probable that it would be necessary to adopt some form of control of milk production, since, if this were not done, there would be a tendency for the increased prices resulting from the subsidization plan to be associated with an increase in production which would tend to lower prices.

DAIRY SITUATION

(Continued from p. 1)

percent above June 1935. Judging from recent increases in butter prices the price of butterfat probably averaged several cents higher in July than in June. The July average wholesale price of 92-score butter in New York was 33.6 cents, or 41 percent above the average of 23.9 cents in July 1935.

U. S. GOVERNMENT PRINTING OFFICE: 1936